

**CITY OF LYNDEN**  
**Whatcom County, Washington**  
**January 1, 1994 Through December 31, 1994**

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**Schedule Of Findings**

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1. The City Should Approve Airport Rates And Receipt And Record Airport Revenues And Expenses

The City of Lynden does not record and report revenues and expenses from Lynden Municipal Airport operations. The city contracts with a nonprofit corporation to operate the airport. The city has established an Airport Fund. However, revenues generated from airport activities are not deposited into this fund. As consideration under the contract, the nonprofit corporation receipts and retains all operating revenues. Operating expenses are paid from these revenues. In addition, the city also does not formally approve the rates for airport activities.

The following criteria is applicable to the airport contract - *Revised Code of Washington* RCW 14.08.120 states in part:

[A municipality is authorized] To create a special airport fund, and to provide that all receipts from the operation of the airport be deposited in the fund . . . To determine the charges or rentals for the use of any properties under its control and the charges for any services or accommodations, and the terms and conditions under which such properties may be used . . . .

The City of Lynden Airport Agreement, Section 1.1 states in part:

The "City" vests the [non-profit corporation] . . . to the fullest extent permissible by State and Federal law, with complete authority for the management and operation of the Airport.

The city cannot, by contract, deprive itself of any of its legislative or governmental powers. See McQuillan Municipal Corporations Sec 29.07 (3d.Ed.)

The *Budgeting, Accounting and Reporting System* (BARS) manual, Volume 1, Part 3, Chapter 1, page 3, states in part:

Enterprise Funds - to account for operations that are normally financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges . . . .

The city did not review the airport contract to ensure that it complied with applicable statutes. In addition, the city was not aware certain rights and obligations could not be contracted to a nonprofit corporation.

Revenues derived from the use of public facilities are public funds. Because the city does not monitor these funds, we cannot verify these assets are safeguarded. In addition, the city cannot determine the value of the contract. The lack of oversight over airport rates may result in the airport not recovering the costs of providing services. Finally, noncompliance with applicable statutes may jeopardize potential future airport funding.

We recommend the city comply with applicable statutes by approving airport rates and receipting and recording airport revenues and expenses.